

Message Text

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60

ACTION EUR-25

INFO OCT-01 ISO-00 L-03 NSC-10 PM-07 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SPC-03

EB-11 COME-00 FRB-02 TRSE-00 AGR-20 SS-20 SCEM-02

INT-08 SIL-01 LAB-06 STR-08 CEA-02 CIEP-02 OMB-01

DRC-01 /164 W

----- 006964

R 142147Z DEC 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2337

UNCLAS OTTAWA 3035

POUCHED INFO TO ALL CONSULS IN CANADA

E.O. 11652: N/A

TAGS: EAGR CA ENRG

SUBJECT: ENERGY AND AGRICULTURE BI-WEEKLY REPORT

PASS AGRICULTURE D.L. HUME, FAS

REF: (A) FASTO CIRCULAR 296 (B) OTTAWA 2859

(C) OTTAWA 2905 (D) OTTAWA 2947

BEGIN SUMMARY: ECONOMIC REPORTS EXPRESS GROWING CONCERN WITH
ADVERSE EFFECT OF ENERGY SHORTAGES ON U.S. ECONOMY AND
CONSEQUENTLY ON CANADA'S ECONOMY. ANALYSTS ACCORDINGLY
ARE REVISING CANADA'S 1974 ECONOMIC GROWTH INDICATORS
DOWNWARD. PRIME MINISTER EXTENDED PRICE FREEZE ON
DOMESTIC OIL AND MOVED TO ESTABLISH NATIONAL PETROLEUM
CORPORATION WHICH CONTRIBUTED TO ADMINISTRATION SURVIVING
NON-CONFIDENCE VOTE ON ENERGY QUESTION DECEMBER 10.
NATIONAL ENERGY MEETING OF ALL PROVINCIAL FIRST MINISTERS
SCHEDULED FOR JANUARY 22, 23. WEST COAST BUNKER FUEL
SHORTAGE COULD DELAY GRAIN SHIPMENTS. ECONOMIC COUNCIL
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OF CANADA REPORT TEXTILE INDUSTRY EXPERIENCING SHORTAGES

IN ENERGY AND FIBERS AND FORECASTS SLIGHT EASING IN CONSUMPTION NATURAL FIBERS, I.E. RAW COTTON, DURING 1974 END SUMMARY.

1. IMPACT ON GENERAL ECONOMY

PRESS COMMENTS AND STUDIES EXPRESS GROWING CONCERN WITH EFFECT OF ENERGY SHORTAGES ON U.S. ECONOMY AND CONSEQUENTLY ON CANADA'S ECONOMY. FINANCIAL TIMES, DECEMBER 10, CITES UNIVERSITY OF PENNSYLVANIA STUDY THAT 1 MILLION BARRELS PER DAY SHORTAGE IN U.S. COULD RESULT IN 1974 REAL GNP RISE OF ONLY 0.6 PERCENT; 3 MILLION BARRELS GNP DROP OF 0.3 PERCENT AND UNEMPLOYMENT 6.4 PERCENT END OF 1974. STUDY CONCLUDES: QUOTE IMPLICATIONS FOR CANADA WOULD OBVIOUSLY BE SERIOUS END QUOTE.

2. TWO UNIVERSITY OF TORONTO ECONOMISTS USING ECONOMETRIC MODEL ASSESSED IMPACT ON CANADA IN 1974 OF REDUCTION IN U.S. REAL GROWTH TO 1.6 PERCENT. THEIR NEW FORECASTS ARE COMPARED WITH THEIR PRE-CRISIS FORECASTS (SHOWN IN PARENTHESIS). FOLLOWING DATA SHOW PERCENT CHANGE FROM 1973 AS UP EXCEPT CORPORATE PROFITS: CURRENT DOLLAR GNP 10.8 (12.0); REAL GNP 4.3 (5.6); IMPLICIT PRICE INDEX OF GNP 6.3 (6.1); CONSUMER PRICE INDEX 7.0 (6.3); EXPORTS VOLUME 1.2 (4.2); CORPORATE PRE-TAX PROFITS MINUS 0.4 (3.5); UNEMPLOYMENT RATE 6.3 (5.9). IN GENERAL THESE MORE PESSIMISTIC THAN CONFERENCE BOARD OF CANADA OUTLOOK REPORTED REFTLE (B)

3. GOVERNMENT ACTIVITIES

ENERGY MINISTER MACDONALD INTRODUCED BILL IN PARLIAMENT PROVIDING FOR OIL SUPPLY ALLOCATIONS PER REFTEL (C) PRIME MINISTER TRUDEAU ANNOUNCED NEW ENERGY POLICY REPORTED REFTEL (D) THAT "VOLUNTARY" PRICE FREEZE ON OIL IN WESTERN CANADA TO BE MAINTAINED UNTIL END OF WINTER; A NATIONAL PETROLEUM CORPORATION TO BE ESTABLISHED AND EXTENSION WESTERN PIPELINE SARNIA TO MONTREAL GETS TOP PRIORITY.

4. DR. J.C. WOODWARD, ASST/DEP/MIN/AGR AND CHAIRMAN OF UNCLASSIFIED

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AGR ENERGY COMMITTEE BELIEVES INTERAGENCY ENERGY COMMITTEE WILL SOON BE ORGANIZED BY ENERGY CONSERVATION OFFICE OF DEPARTMENT OF ENERGY, MINES AND RESOURCES. WHILE NOT FORESEEING NEED FOR ALLOCATING FUEL TO AGRICULTURE IN 1974, DR. WOODWARD SPECULATED THAT SHOULD IT BE NECESSARY CANADA'S FARMERS WOULD PROBABLY RECEIVE ABOUT 1973 LEVEL.

5. IMPACT ON AGRICULTURE

SINCE LAST REPORT WEST COAST BUNKER FUEL SHORTAGE COMPLAINTS GROWING OVER POSSIBLE DELAYS THERE IN EXPORTS INCLUDING GRAIN. F.W. ANDERSON, PRESIDENT, WESTERN TRANSPORTATION ADVISORY COUNCIL, SAID YESTERDAY QUOTE CARGO SHIPS ON POINT OF REFUSING TO COME TO VANCOUVER, BECAUSE OF LACK OF BUNKER FUEL... DELAYS SOON IN SHIPPING OF GRAIN AND OTHER WESTERN PRODUCTS IF OTTAWA FAILS TO DISPATCH 40,000 TONS OF BUNKER FUEL. END QUOTE

6. IMPACT ON AGRICULTURAL COMMODITIES

NO SIGNIFICANT CHANGE IN THE COMMODITY-BY-COMMODITY PRODUCTION AND TRADE ANALYSIS OF LAST REPORT EXCEPT BUNKER OIL SHORTAGE IS WORSENING EXPORT OUTLOOK AS PREVIOUSLY MENTIONED. THE FOLLOWING ADDITIONAL ANALYSIS OF COTTON AND TEXTILE DEVELOPMENTS INDICATES POSSIBLE REDUCED IMPORTS OF RAW COTTON FROM THE U.S.

7. COTTON: ECONOMIC COUNCIL OF CANADA IN ITS 1974 OUTLOOK REPORT ON CANADIAN TEXTILES AND CLOTHING SEE CONTINUING GROWING DEMAND BUT GREATER USE OF MANMADE FIBERS. OF FORESEEN GROWING DEMAND FOR TEXTILES, SYNTHETIC FIBERS ARE EXPECTED TO SUPPLY MUCH OF THE INCREASED MARKET, WITH SLIGHT EASING IN USE OF NATURAL FIBERS QUOTE UNDER THESE CONDITIONS THERE WILL BE CONTINUED COST PRESSURES FOR GREATER USE OF MANMADE FIBERS IN BLENDED FABRICS END QUOTE OUTLOOK STATEMENT SAYS LIMITED AVAILABILITY OF NATURAL AND MANMADE FIBERS, OF ENERGY, AND OF RAW MATERIAL BEING FELT THROUGHOUT TEXTILE INDUSTRY. JOHNSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURE, ENERGY, PETROLEUM, SUPPLIES, EXPORTS, TEXTILES, TRADE CONTROLS, EMERGENCY PLANNING, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973OTTAWA03035
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731224/aaaaarpl.tel
Line Count: 145
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: (A) FASTO CIRCULAR 296 (B) OTTAWA 28, 59
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 06 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Sep-2001 by thomasv0>; APPROVED <02-Jan-2002 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY AND AGRICULTURE BI-WEEKLY REPORT PASS AGRICULTURE D.L. HUME, FAS
TAGS: EAGR, ENRG, CA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005